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FM AMCONSUL JERUSALEM  
TO RUEHC/SECSTATE WASHDC IMMEDIATE 1367  
INFO RUEHXX/ARAB ISRAELI COLLECTIVE IMMEDIATE  
RHEHNSC/NSC WASHDC IMMEDIATE  
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE

C O N F I D E N T I A L JERUSALEM 001377

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NEA FOR FRONT OFFICE; NEA/IPA FOR  
WILLIAMS/GREENE/LOGGERFO/WAECHTER; NSC FOR ABRAMS, DORAN,  
LOGGERFO; TREASURY FOR ADKINS

E.O. 12958: DECL: 04/03/2016  
TAGS: [EFIN](#) [ECON](#) [KWBG](#)  
SUBJECT: PLC APPROVES EXTENSION OF PA'S 2005 BUDGET  
AUTHORITY UNTIL MAY 31

Classified By: Consul General Jake Walles for reasons 1.4 (b) and (d).

¶1. (SBU) The Palestinian Legislative Council (PLC) approved in three readings March 29 an amendment to the Budget Law extending the PA government's legal authority to collect revenues and authorize expenditures based on the 2005 budget until May 31, 2006, when the Finance Minister must present the 2006 budget to the PLC. (Note: An amendment was necessary since article four of the Public Budget and Finance Law (1998) stipulates that, if the draft public budget law is not ratified before the start of the new fiscal year (on January 1), expenditure shall continue at a monthly rate of 1/12 for each month based on the previous year's budget but only for a period not exceeding three months. End note.) According to press reports, PLC member and PA Finance Minister Omar Abdel Razeq had requested the special PLC session but had sought an extension until June 30.

¶2. (C) Third Way PLC member Salam Fayyad told EconChief March 31 that the budget debate showed both Hamas and Fatah PLC members' poor understanding of the budget process. He noted that "we helped them out on this one since they had no clue on how to move forward." He described his Hamas PLC colleagues as "very suspicious and extremely hard to deal with."

¶3. (C) International Monetary Fund (IMF) Resident Representative Joel Toujas said March 30 that he did not believe the new Finance Minister would be able to prepare a 2006 budget to submit to the PLC without including the clearance revenue that Israel collects on behalf of the PA. Israel has frozen transfers of that clearance revenue to the PA since the new PLC was sworn-in, February 18.  
WALLES